



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Fiscal Year 2008/09 Mid-year Budget

MEETING DATE: February 10, 2009

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive presentation on the 2008-09 Mid-year budget review.

BACKGROUND INFORMATION: Absent any adjustments, the current year General Fund shortfall is projected to be about \$1,456,000. A number of adjustments have been identified which are detailed below that will help mitigate this shortfall by the end of this fiscal year, but will not completely close the gap. However, adjustments made over a longer period should be able to maintain FY 6/30/08 reserve levels.

The following are the significant adjustments, by fund, that are needed to keep the City fiscally sound.

General Fund

Revenues:

No budgetary adjustments for revenue are proposed at this time

The three primary General Fund Revenue sources are property taxes, sales taxes and Vehicle License Fees. It is projected that property taxes will come in slightly ahead (\$100,000) of budgeted levels. Sales tax revenue is anticipated to be short of budgeted levels by about \$517,000. This reduction reflects a year over year reduction in this revenue source of \$850,000. The third major revenue source, Vehicle License Fees, is expected to be about \$140,000 short of budgeted levels.

Expenditures:

Initial projection of General Fund expenditures is \$43,660,062, a level that exceeded expected revenue by \$1,456,077. Staff has reviewed these initial estimates and developed a number of operational corrections to mitigate the shortfall by \$384,400. They include allocating costs for certain administrative staff from the General Fund to Enterprise Funds (\$247,800), allocating costs for on-line credit card processing to Enterprise Funds (\$30,000), deferring the hiring of a vacant position in the Budget Division (\$46,000) and reducing the transfer to the Library Fund due to vacant Library positions (\$60,600).

Staff is also recommending increasing the General Fund transfer to the Community Development Fund to cover the current year deficit (\$60,000). This item will be discussed further under the Community Development Fund section of this report. Net operational mitigations represent a cost reduction of \$324,400.

APPROVED: _____

for Blair King, City Manager

The City has approached all of the represented employee organizations to reduce expenses. The City is seeking to reduce expenses by \$1,131,677. One proposal that would affect all employees is to eliminate the City match portion of the deferred compensation program. If effective at the beginning of March, the elimination of this match would reduce General Fund costs by about \$165,000 for the remainder of the fiscal year. The City has asked all units to agree to this provision with the expectation that it would be extended through the 2009/10 fiscal year.

The City is proposing a one day furlough per month for the next four months for all miscellaneous employees in lieu of reductions to base pay. This measure is expected to save about \$179,000 over the next four months.

As a further cost saving measure, staff is researching options related to alternative dispatch methods. Specifically, staff is reviewing the option of AMR providing dispatch services.

One of the employee organizations requested we investigate the possibility of workforce reductions via early retirements. Our current contract with CalPERS allows the City to offer employees who are currently eligible to retire (age 50 with five years service) a two-year service credit as an inducement to retire. Our contract currently provides this benefit for all City employees except Police. If offered to employees, the City Manager would like to selectively identify positions that would be offered this benefit. If accepted, the employee would need to retire within a window of 90 to 180 days of acceptance and the City would need to hold vacant a position for a period of time to offset the cost of the benefit. The City would pay the additional retirement expense over a 20 year period, beginning two years after the date of retirement. Once positions are identified, staff will update the Council with the monetary specifics of the program.

We have received very good cooperation from all of the employee organizations. All organizations have been very understanding and have advanced a number of ideas for us to evaluate.

As we have not completed the meet-and-confer process, final recommendations regarding solutions are pending.

Staff is hopeful that we can close the gap by June 30, 2009. In the event we are not able to provide a total solution by June 30, 2009, we would ask the Council to allow us to draw down reserves at June 30, 2009 and replenish the reserve during FY 2009/10.

Fund Balance:

Without any adjustments, Fund Balance is projected to be \$2,702,930. Staff has identified \$324,400 of expense reductions that will offset some of the expenses in excess of budget and would increase the above fund balance number. Proposed recommendations are pending the results of the meet-and-confer process.

Electric Utility

Expenses are expected to exceed appropriations by \$158,455 primarily due to higher power costs. Revenues are coming in higher than budgeted and will be used to cover the higher expenses. Included in this action are adjustments to budgeted revenue and expenses.

Community Development Fund

The Community Development Fund ended the last fiscal year with a deficit fund balance of \$702,127. The slowdown in building activity has continued and will result in an unadjusted revenue shortfall of about \$300,000 compared to budget. The Community Development staff performs a general information function that is properly a General Fund expenditure. Staff is recommending that Community Development revenues be augmented by \$60,000 from the General Fund to offset the expenditures for the general information function. With this augmentation, the fund is expected to fully cover its costs. Expenditures are being managed so that total expenditures will fit within the revised revenue stream.

Public Safety Special Revenue Fund

Revenues associated with COPS grants are not budgeted until receipt of the grant award notification. Today's action will increase revenues by \$172,000 and appropriations by \$26,000 to reflect 2008/09 COPS grant awards.

Library Fund

The General Fund supports funding of positions in the Library Fund through operating transfers. The Library Fund has had two positions vacant this year. **As** such, the transfer from the General Fund is being reduced to reflect a reduced level of expenditures related to staffing. The impact is to reduce revenues in the Library Fund by \$76,600.

FISCAL IMPACT: General Fund expenditure reductions will need to be made. Recommendations for specific reductions are pending the results of meet-and-confer sessions being held this week.

A handwritten signature in dark ink, appearing to read "Jordan Ayers", is written over a horizontal line.

Jordan Ayers
Deputy City Manager



Fiscal Year 2008-09 Midyear Budget Presentation

February 10, 2009



General Fund Summary

Projected Fund Balance (before adjustments) for June 30, 2009:

- Unreserved: \$2,718,930 (\$4,461,081 projected)
- Projected shortfall: \$1,456,077
- Primary causes: Personnel costs, revenue drop
- June 30, 2008 balance: \$4,159,007
- Revised June 30, 2009 target, pending recommendations: \$4,086,330



General Fund Summary (cont.)

Proposed Adjustments/Expenditure Reductions:

- Allocate staff, credit card processing costs of \$277,800 to enterprise funds
- Reduce contribution to Library by \$60,600 due to vacant positions
- Keep vacant Budget Division position open (\$46,000 savings)
- Increase Operating Transfer to Community Development to cover current year's estimated \$60,000 deficit
- Employee concessions: \$1,131,677
- Research AMR dispatch options
- Workforce reductions via early retirements



General Fund Summary (cont.)

- Target Unreserved Fund Balance on June 30, 2010: \$4,500,000
- Same as working fund balance on June 30, 2008
- Good cooperation from all labor groups
- Recommendations pending resolution of meet-and-confer process
- Implementation target: March 1, 2009



Workforce Reduction Via Early Retirement

Apply to Miscellaneous and Fire Department Employees

- Sworn Police not eligible under current contract
- Additional service credit of two years
- Must be currently eligible to retire
 - Age 50 with 5 years service

Statement of Changes in Fund Balance

For the Fiscal Year Ended June 30, 2009

With Actuals for Fiscal Year 2007-08 and Comparative Budget Fiscal Year 2008-09

	Audited 2007-08 Actuals	2008-09 Budget	2008-09 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
General Fund					
<u>Fund Balance (Net Assets)</u>					
Beginning Fund Balance (Net Assets) Unreserved	5,175,522	4,534,293	4,159,007	(375,286)	
Revenues	44,487,632	42,229,193	42,203,985	(25,208)	-0.1%
Expenditures	<u>45,504,147</u>	<u>42,302,405</u>	<u>42,276,662</u>	<u>25,743</u>	0.1%
Net Difference (Revenues Less Expenditures)	(1,016,515)	(73,212)	(72,677)	535	
<u>Fund Balance (Net Assets)</u>					
Ending Fund Balance (Net Assets) Unreserved	<u>4,159,007</u>	<u>4,461,081</u>	<u>4,086,330</u>	<u>(374,751)</u>	



Electric Fund Summary

- Net Bulk power costs: Projected \$173,000 over budget. Budget to be adjusted Feb. 18, 2009
- **Projected June 30, 2009 Fund Balance: \$12.98 million**

Statement of Changes in Fund Balance

For the Fiscal Year Ended June 30, 2009

With Actuals for Fiscal Year 2007-08 and Comparative Budget Fiscal Year 2008-09

Electric Utility Enterprise Fund

Fund Balance (Cash)

	Audited 2007-08 Actuals	2008-09 Budget	2008-09 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
Beginning Fund Balance (Cash) Unreserved	5,162,284	10,909,302	11,339,624	430,322	
Revenues	69,734,050	74,471,805	74,569,218	97,413	0.1%
Expenditures	<u>63,556,710</u>	<u>72,772,068</u>	<u>72,930,523</u>	<u>(158,455)</u>	-0.2%
Net Difference (Revenues Less Expenditures)	6,177,340	1,699,737	1,638,695	(61,042)	

Fund Balance (Cash)

Ending Fund Balance (Cash) Unreserved	<u>11,339,624</u>	<u>12,609,039</u>	<u>12,978,319</u>	<u>369,280</u>	
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Community Development Fund Summary

- **Revenues:** Revenues projected lower than budget
 - The slowdown in building activity will result in a reduction of revenues (compared to budget) of about \$300,000
 - General Fund contribution increased by \$60,000 to fund current year projected deficit
- **Expenditures:** Being managed to fit within expected revenue stream
- **Projected June 30, 2009 Fund Balance: <\$699,341>**

Statement of Changes in Fund Balance

For the Fiscal Year Ended June 30, 2009

With Actuals for Fiscal Year 2007-08 and Comparative Budget Fiscal Year 2008-09

Community Development Fund

Fund Balance (Net Assets)

	Audited 2007-08 Actuals	2008-09 Budget	2008-09 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
Beginning Fund Balance (Net Assets) Unreserved	(167,024)	(454,604)	(702,127)	(247,523)	
Revenues	1,479,536	1,615,148	1,382,236	(232,912)	-16.9%
Expenditures	<u>2,014,639</u>	<u>1,628,438</u>	<u>1,379,450</u>	<u>248,988</u>	18.0%
Net Difference (Revenues Less Expenditures)	(535,103)	(13,290)	2,786	16,076	

Fund Balance (Net Assets)

Ending Fund Balance (Net Assets) Unreserved	<u>(702,127)</u>	<u>(467,894)</u>	<u>(699,341)</u>	<u>(231,447)</u>	
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Public Safety Special Revenue Fund Summary

- **Revenues:** Revenues projected to be higher than budget due to COPS grant not being budgeted.
- **Expenditures:** Expenditures are projected to be higher than the current budget.
- Both revenue and expense to be adjusted Feb. 18, 2009
- **Projected June 30, 2009 Fund Balance: \$227,172.**

Statement of Changes in Fund Balance

For the Fiscal Year Ended June 30, 2009

With Actuals for Fiscal Year 2007-08 and Comparative Budget Fiscal Year 2008-09

Public Safety Special Revenue Funds

Fund Balance (Net Assets)

	Audited 2007-08 Actuals	2008-09 Budget	2008-09 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
Beginning Fund Balance (Net Assets) Unreserved	190,544	175,243	140,206	(35,037)	
Revenues	157,041	36,211	207,577	171,366	82.6%
Expenditures	<u>207,379</u>	<u>94,741</u>	<u>120,611</u>	<u>(25,870)</u>	-21.4%
Net Difference (Revenues Less Expenditures)	(50,338)	(58,530)	86,966	145,496	

Fund Balance (Net Assets)

Ending Fund Balance (Net Assets) Unreserved	140,206	116,713	227,172	110,459	
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Library Fund Summary

- **Revenues:**
 - Transfer from the General Fund is reduced by \$60,600 due to vacant positions.
- **Projected June 30, 2009 Fund Balance: \$55,678**

Statement of Changes in Fund Balance

For the Fiscal Year Ended June 30, 2009

With Actuals for Fiscal Year 2007-08 and Comparative Budget Fiscal Year 2008-09

Library Fund

Fund Balance (Net Assets)

	Audited 2007-08 Actuals	2008-09 Budget	2008-09 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
Beginning Fund Balance (Net Assets) Unreserved	659,572	659,885	685,687	25,802	
Revenues	1,764,025	2,525,294	2,460,367	(64,927)	-2.6%
Expenditures	<u>1,737,910</u>	<u>3,176,759</u>	<u>3,090,376</u>	<u>86,383</u>	2.8%
Net Difference (Revenues Less Expenditures)	26,115	(651,465)	(630,009)	21,456	

Fund Balance (Net Assets)

Ending Fund Balance (Net Assets) Unreserved	685,687	8,420	55,678	47,258	
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